

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 FEA-02 EUR-25 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-03 H-03 INR-11 INT-08

L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20

CIEP-03 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SP-03 OMB-01 SWF-02 DRC-01 /194 W

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FM AMEMBASSY CANBERRA

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SUBJECT: INFORMATION ON AUSTRALIAN STEEL INDUSTRY.

REF: (A) STATE 127209. (B) CANBERRA 4221.

1. GOA DEPT. OF MANUFACTURING INDUSTRY HAS SUPPLIED
FOLLOWING INFORMATION ON AUSTRALIAN STEEL INDUSTRY IN
RESPONSE TO OUR REQUESTS (REF B):

2. CAPACITY AT BEGINNING OF CY 1974: 9 MILLION METRIC
TONS (M.T.)

3. ESTIMATED CAPACITY IN 1980 DEPENDS ON WHICH OF TWO
LINES OF EXPANSION ARE FOLLOWED.

A. FIRST LINE WOULD BE TO RAISE CAPACITY TO MEET DOMESTIC NEEDS,
EXPORTING WHATEVER SMALL SURPLUS REMAINS. UNDER THIS
LINE 12 MILLION M.T. CAPACITY WOULD BE REACHED BY ABOUT
1982 WITH 0.5 MILLION M.T. EXPANSION AT NEWCASTLE,
ANOTHER 0.5 MILLION M.T. AT KWINANA, AND REMAINING
2 MILLION M.T. AT PORT KEMBLA.

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B. SECOND LINE, DESCRIBED AS MORE LIKELY BY DMI, WOULD BE ADDITIONAL TO FOREGOING. IT INCLUDES SEVERAL MAJOR PLANTS FOR PRODUCTION OF SEMI-FINISHED STEEL, MAINLY FOR EXPORT, AT GLADSTONE AND THE BOWEN BASIN IN QUEENSLAND, GERALDTON IN WESTERN AUSTRALIA, AND A "JUMBO" PLANT ELSEWHERE IN WA (POSSIBLY AT KWINANA). SPECIFIC INFORMATION WAS PROVIDED ONLY FOR PROPOSED "JUMBO" PLANT WHICH, IF APPROVED, WOULD BE CONSTRUCTED IN SEVERAL STAGES, AND ULTIMATELY HAVE A CAPACITY OF 10.7 MILLION M.T. FIRST STAGE, TO BE COMPLETED IN ABOUT SIX YEARS, WOULD HAVE CAPACITY OF TWO MILLION M.T. PER YEAR.

4. DMI PROVIDED NO INFORMATION IN DIRECT RESPONSE TO INQUIRY RE COST OF INCREASING CAPACITY TO 1980 LEVEL. HOWEVER, BASED ON DATA PROVIDED FOR COST OF FIRST STAGE "JUMBO" PROJECT (\$A400-500 MILLION FOR TWO MILLION M.T. CAPACITY) WE WOULD ESTIMATE VERY ROUGHLY A PER TON COST OF \$A200-250. THUS ADDITIONAL THREE MILLION TONS CAPACITY ENVISAGED FIRST LINE OF DEVELOPMENT WOULD COST \$A600-750 MILLION (\$A - \$US1.4875).

5. DMI ESTIMATES 1980 DOMESTIC DEMAND AT APPROXIMATELY 10.2 MILLION M.T. PER YEAR.

6. SURPLUS AVAILABLE FOR EXPORT BY 1980-82 PERIOD, DEPENDING ON FUTURE LINE OF DEVELOPMENT OF INDUSTRY, WOULD THEREFORE BE APPROXIMATELY 1.8 MILLION M.T. UNDER 3(A) AND MUCH MORE UNDER 3(B).

7. COMMENT: THE SECOND LINE OF DEVELOPMENT (PARA 3B) WOULD REQUIRE A VERY LARGE CAPITAL INVESTMENT MUCH OF WHICH WOULD UNDOUBTEDLY HAVE TO COME FROM FOREIGN SOURCES. UNTIL PREVAILING UNCERTAINTIES IN THE FOREIGN INVESTMENT POLICY ENVIRONMENT ARE CLEARED UP, THEREFORE, WE ARE SKEPTICAL OF DMI'S CHARACTERIZATION OF THAT ALTERNATIVE AS THE "MOST LIKELY LINE OF DEVELOPMENT", AT LEAST IN TERMS OF 1980 CAPACITY.
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